

**INDEPENDENCE LIGHT AND POWER,
TELECOMMUNICATIONS
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

DECEMBER 31, 2010 AND 2009

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INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

Officials

Board of Trustees

Brian Meyer
Bryan Palmer
Bob Cook
Gerald Stelter
Cyndi Bergeson

Chairperson
Vice Chairperson
Secretary-Treasurer
Trustee
Trustee

Utility Officials

Darrel Wenzel
Ronald Curry
Kevin Sidles
Linda Kress
William Runge

General Manager
Assistant General Manager
Line Superintendent
Office Manager
Telecommunications-Superintendent

City Council

Carl Scharff
Jon Holland
Bonita Davis
Arletta Schweitzer
Jeanne Hermsen
Cheryl Hand
Bob Hill
Richard Engen

Mayor
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

City Officials

Barbara Rundle
Carter Stevens

City Clerk
City Attorney

Independent Auditor's Report

To the Board of Trustees
Independence Light and Power, Telecommunications
Independence, Iowa 50644

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of Independence Light and Power, Telecommunications (a municipal utility), a component unit of the City of Independence, Iowa, as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of Independence Light and Power, Telecommunications' management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, each major fund and the aggregate remaining fund information of Independence Light and Power, Telecommunications at December 31, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2011 on our consideration of Independence Light and Power, Telecommunications' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Management's Discussion and Analysis, Budgetary Comparison Information on pages 6 through 16 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Independence Light and Power, Telecommunications' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended December 31, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., C.P.A.'S

September 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Independence Light and Power, Telecommunications (the Utility) provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2010. The Independence Light and Power, Telecommunications provides electrical, cable, internet, and telephone services to the citizens of the City of Independence (the City) and is a component unit of the City. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the Utility for 2010 were \$10,496,850. This is an increase over revenues in 2009 of 9%.
- Disbursements for 2010 totaled \$10,280,801. This is an increase of approximately 9% from 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis – This introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.
- The Basic Financial Statements – These consist of the Statement of Net Assets, Statement of Revenues and Expenses and Changes in Net Assets, Statement of Cash Flows, and Notes to the Financial Statements. The previous mentioned financial statements provide information about the activities of the Utility as a whole and present an overall view of the Utility's finances. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplemental Information – This provides additional information about the Utility's financial activities in addition to the basic financial statements.

BASIS OF ACCOUNTING

The Utility maintains its financial records on the accrual basis of accounting which is in conformity with U.S. generally accepted accounting principals. The accounting records are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC).

FINANCIAL ANALYSIS OF THE UTILITY

Net Assets may serve over time as a useful indicator of financial position. The Utility's Net Assets, including a prior period adjustment, increased by \$216,049 from 2009 to 2010.

Assets, Liabilities, and Net Assets

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets	\$ 2,560,976	2,445,520
Capital Assets:		
Capital Assets	24,775,371	24,333,314
Less: Accumulated depreciation	(13,783,742)	(12,927,714)
Total Capital Assets	10,991,629	11,405,600
Board Designated Funds	4,527,863	4,409,493
Other Assets	<u>500,047</u>	<u>151,161</u>
Total Assets	<u>\$ 18,580,515</u>	<u>18,411,774</u>

Liabilities		
Current Liabilities	\$ 1,916,521	1,837,560
Other Liabilities:		
Accrued retirement insurance	526,232	503,341
Note payable – BankIowa	90,210	185,390
Note Payable – USDA Revolving Loan Fund	300,000	-
Electric revenue project note payable	4,136,993	4,475,507
Less: Current portion of long-term debt	(352,116)	(336,650)
Total Other Liabilities	<u>4,701,319</u>	<u>4,827,588</u>
Total Liabilities	6,617,840	6,665,148
Net Assets	<u>11,962,675</u>	<u>11,746,626</u>
Total Liabilities and Net Assets	<u>\$ 18,580,515</u>	<u>18,411,774</u>

Revenues, Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues:		
Sales to Customers	\$10,294,551	9,371,690
Miscellaneous Operating Revenue	96,935	78,302
Interest Income	69,174	109,484
Miscellaneous Revenue	27,365	21,074
Gain on Disposal of Assets	<u>8,825</u>	<u>-</u>
Total Revenue	<u>10,496,850</u>	<u>9,580,550</u>
Expenses:		
Generation Expenses	5,532,523	4,732,612
Distribution Expenses	398,701	364,636
Customer Accounts Expense	127,890	111,143
Administration and General Expense	1,127,077	1,088,791
Cable and Internet Expenses	1,643,184	1,600,829
Depreciation and Amortization	919,754	903,147
Benefits to Community and City	337,751	333,982
Interest Expense	193,921	211,176
Loss on Disposal of Assets	<u>-</u>	<u>2,983</u>
Total Expenses	<u>10,280,801</u>	<u>9,349,299</u>
Changes in Net Assets	216,049	231,251
Net Assets at Beginning of Year	<u>11,746,626</u>	<u>11,494,525</u>
Prior period adjustment	-	20,850
Net Assets at End of Year	<u>\$ 11,962,675</u>	<u>11,746,626</u>

BUDGETARY HIGHLIGHTS

The Utility prepared and adopted the annual budget on December 7, 2009, which designated the amounts necessary for the improvement and maintenance of the Utility. There was one budget amendment to the Independence Light & Power budget on December 6, 2010. The Utility did not exceed its budgeted expenditures for the year ended December 31, 2010.

DEBT ADMINISTRATION

At December 31, 2010, the Utility had long-term debt in the amount of \$4,227,203. During 2010, the Utility repaid \$433,694 of long-term debt. The Utility received a \$300,000 loan from the United States Department of Agriculture on 5/21/2010 in order to establish a revolving loan fund.

BACKGROUND OF INDEPENDENCE LIGHT AND POWER, TELECOMMUNICATIONS

In 1893, the citizens of Independence voted by a 572 majority to build a municipal light plant. This building was located where Veterans Park is today. The flood of 1947 caused damage to the plant so they decided to move to a better location. In 1948, construction began on a new building at the present site. At that time the Mayor and City Council governed the Light Plant. In 1961 the City voted to have the Light Plant governed by a board of trustees.

During the construction of this building, two new Superior 1000kw generators were installed. These generators are still in use today. After these generators became operational they moved two Worthington generators from the old plant. These units have since been removed to make room for new Caterpillar generators.

As the City grew the demand for electricity also grew, so additional generation had to be added. In 1957, a twenty-foot addition was added to the west side of the building to make room for the installation of a 2500kw Worthington generator. In 1964, another addition was added to the west allowing space for two additional generators. At this time a 3200kw Worthington generator was installed. In 1973, a 6250kw Worthington generator was installed and a new Control Room was added to the south side of the building.

In 1975, the interconnection with Interstate Power Company was installed. This meant that the plant went to a standby status and power was purchased from Interstate Power Company. Power was generated during times of high usage and during emergencies. Presently we are still in a standby status and from May 1996 until May 2006, we have been purchasing power from Dairyland Power Company. On April 20, 2006 a contract was signed with Wisconsin Energy, (WPPI) to purchase power beginning May 1, 2006 for a period of 30 years.

In October of 1979 the Line Shop moved to their present location. In 1987, we began to upgrade the electrical distribution system from 2400 volts to 12,470 volts. This upgrade was completed in January of 2002. In order to better serve our customers, a drive-thru pay window was installed in 1992 and the billing functions were moved from City Hall to the plant.

In 1995, two 1860kw Caterpillar generators were installed in place of the 1935 generator. In March of 1999, the 1939 generator was also removed to make room for additional Caterpillar generators. In May of 2000 three 1860kw Caterpillar generators came on line. In 2007 the two 1949 Superior generators were retired and currently the total generating capacity of the plant is 21,250kw.

In November of 1997 by a majority vote, the citizens of Independence approved the formation of a telecommunications company. A new administration building was built across the street from the plant and in May of 2000 the office and management personnel moved in. The vacated office area at the plant was remodeled for the new telecommunications equipment. Cable TV became operational in December of 2000 and internet on May of 2001. In 2006, telephone service, or Voice Over Internet Protocol (VOIP) was added as an additional service.

In June of 2003 work began on the site of the west substation. This substation was installed to handle the continued growth west of the river. It will also be used to serve the entire town when east substation needs to be taken out of service. We are continuing to stay abreast with our customers' needs and keeping a watchful eye to the future. Our goal is the same as our founders, to deliver low cost dependable power to all citizens well into the future.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Darrel Wenzel, General Manager, P.O. Box 754, Independence, IA 50644.

INDEPENDENCE LIGHT & POWER
Independence, Iowa
ANALYSIS OF KILOWATT HOURS AND BILLINGS
For the Year Ended December 31, 2010
(unaudited)

Type of Service:	KWH Billed	Amount Billed	Revenue in cents/KWH	% KWH to Total	% Revenues to Total	Number of Accts
Residential Service	21,622,497	3,456,833	15.99	34.45%	46.07%	2,745
Security Lights	172,147	28,607	16.62	0.27%	0.38%	
Commercial Service	12,194,628	1,530,042	12.55	19.43%	20.39%	358
Demand Power	25,575,480	2,176,966	8.51	40.75%	29.01%	23
Total to Customers	<u>59,564,752</u>	<u>7,192,448</u>	12.08	<u>94.91%</u>	<u>95.85%</u>	<u>3,126</u>
Municipal Sales:						
Street Lighting	716,988	85,896	11.98	1.14%	1.14%	1
City Bldgs, Parks, Water Pumpin	830,254	104,212	12.55	1.32%	1.39%	26
City Demand Power	1,457,200	120,936	8.30	2.32%	1.61%	2
Plant Lights, Office & Line Shop	191,929	0	0.00	0.31%	0.00%	
Total Municipal	<u>3,196,371</u>	<u>311,044</u>	9.73	<u>5.09%</u>	<u>4.15%</u>	<u>29</u>
Power Cost Adjustment	n/a		0.00	n/a	0.00%	
TOTALS	<u>62,761,123</u>	<u>7,503,492</u>	11.96	<u>100.00%</u>	<u>100.00%</u>	<u>3,155</u>

Analysis of Energy Generated:

Kilowatt Hours Generated	243,806
Less KWH Consumed by Station	<u>439,630</u>
KWH to Distribution Feeders	-195,824
KWH Purchased	<u>66,126,335</u>
Total	65,930,511
Kilowatt Hours Billed and Metered	<u>62,761,123</u>
Line Loss in Kilowatts	<u>3,169,388</u>
Line Loss as a Percent to Total	4.81%

Revenue by Category: Power Cost Adjustment Separate.

2010

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Residential	2,005,703	2,020,822	1,755,379	1,410,171	1,372,300	1,425,952	2,066,151	2,495,247	2,477,221	1,630,174	1,310,890	1,652,487	21,622,497
Power Cost Adjustment													
Commercial	919,097	908,917	913,133	921,226	934,309	1,034,611	1,148,115	1,293,079	1,216,774	1,030,569	916,858	957,940	12,194,628
Power Cost Adjustment													0
Industrial	2,002,360	2,134,700	1,865,500	2,046,780	1,996,000	2,340,420	2,228,500	2,459,540	2,181,140	2,130,380	2,153,820	2,036,340	25,575,480
Power Cost Adjustment													0
Security Lites	14,143	14,381	14,379	14,381	14,334	14,169	14,590	14,424	14,381	14,363	14,313	14,289	172,147
Street/HWY	59,749	59,749	59,749	59,749	59,749	59,749	59,749	59,749	59,749	59,749	59,749	59,749	716,988
City Comm	84,937	85,004	59,682	52,054	51,924	78,213	86,435	92,763	65,152	53,748	53,757	66,585	830,254
Power Cost Adjustment													0
City Demand	123,840	110,800	112,160	114,800	111,200	125,280	135,600	154,720	121,920	123,760	114,480	108,640	1,457,200
Power Cost Adjustment													0
	5,209,829	5,334,373	4,779,982	4,619,161	4,539,816	5,078,394	5,739,140	6,569,522	6,136,337	5,042,743	4,623,867	4,896,030	62,569,194

INDEPENDENCE LIGHT & POWER
Independence, Iowa
ENERGY AND REVENUE ACCOUNTING REPORT
For Years Ended December 31, 2010, 2009, 2008, 2007
(unaudited)

	2010		2009		2008		2007	
	KWH	%	KWH	%	KWH	%	KWH	%
1. Total Gross Energy (all sources; % of previous year)	66,370,141	109.8%	60,462,663	95.1%	63,581,565	101.0%	62,960,189	95.3%
2. Purchased Energy (% of line 1)	66,126,335	99.6%	60,227,746	99.6%	63,416,663	99.7%	61,219,999	97.2%
3. Total Gross Energy Generated (line 1 - line 2)	243,806	100.0%	234,917	100.0%	164,902	100.0%	1,740,190	100.0%
4. Energy Consumed by Station (% of line 3)	439,630	180.3%	503,514	214.3%	494,250	299.7%	509,999	29.3%
5. Total Net Energy Generated	-195,824	-80.3%	-268,597	-114.3%	-329,348	-199.7%	1,230,191	70.7%
6. Total Net Energy Outgoing Feeders	65,930,511	100.0%	59,959,149	100.0%	63,087,315	100.0%	62,450,190	100.0%
7. Net Distributed Energy (% of line 6)	62,761,123	95.2%	56,679,526	94.5%	59,741,896	94.7%	59,212,991	94.8%
8. Energy Lost in Distribution System (% of line 6)	3,169,388	4.81%	3,279,623	5.47%	3,345,419	5.30%	3,237,199	5.18%
ENERGY CONSUMED BY EACH SERVICE AND PERCENT CHANGE IN CONSUMPTION:								
	KWH	% Change	KWH	% Change	KWH	% Change	KWH	% Change
Residential Service	21,622,497	7.7%	20,079,480	-5.2%	21,173,027	-2.8%	21,793,745	3.1%
Commercial Service	12,194,628	18.9%	10,259,191	-2.1%	10,483,009	-2.8%	10,789,529	-0.8%
Demand Power	25,575,480	11.4%	22,952,060	-6.6%	24,582,420	5.7%	23,254,180	-13.2%
Security Lights	172,147	-2.2%	175,961	-7.2%	189,526	1.1%	187,489	-0.6%
City Bldgs, Parks, Water Pump, Traffic Signals	830,254	-6.2%	884,692	0.8%	877,646	3.2%	850,186	-2.0%
City Demand Accts: WWTP, Pump Station, Shop	1,457,200	2.1%	1,427,920	-6.9%	1,534,480	6.9%	1,435,360	7.0%
Street Lights	716,988	0.0%	716,988	0.0%	716,988	0.1%	716,538	1.5%
Plant Lights, Office & Line Shop	<u>191,929</u>	4.7%	<u>183,234</u>	-0.8%	<u>184,800</u>	-0.6%	<u>185,964</u>	5.0%
TOTAL	62,761,123	10.7%	56,679,526	-5.1%	59,741,896	0.9%	59,212,991	-4.6%
ELECTRIC SALES INCLUDING AVERAGE UNIT REVENUE PER KWH:								
	Billings	Per Unit Revenue In Cents	Billings	Per Unit Revenue In Cents	Billings	Per Unit Revenue In Cents	Billings	Per Unit Revenue In Cents
Residential Service	3,456,833	15.99	3,248,101	16.18	3,010,313	14.22	3,007,104	13.80
Commercial Service	1,530,042	12.55	1,303,940	12.71	1,196,417	11.41	1,189,782	11.03
Demand Power	2,176,966	8.51	2,009,493	8.76	1,991,686	8.10	1,853,889	7.97
Security Lights	28,607	16.62	28,728	16.33	25,887	13.66	23,683	12.63
City Bldgs, Parks, Water Pump, Traffic Signals	104,212	12.55	111,084	12.56	99,267	11.31	93,038	10.94
City Demand Accts: WWTP, Pump Station, Shop	120,936	8.30	117,766	8.25	120,000	7.82	107,868	7.52
Street Lights	<u>85,896</u>	11.98	<u>85,896</u>	11.98	<u>78,152</u>	10.90	<u>75,739</u>	10.57
TOTAL	7,503,492	11.96	6,905,008	12.18	6,521,722	10.92	6,351,103	10.73

INDEPENDENCE LIGHT & POWER
Independence, Iowa
UTILITY STATISTICS AND OPERATING INFORMATION
For Years Ended December 31, 2010, 2009, 2008, 2007
(unaudited)

				2010	2009	2008	2007
Gen Unit	No.	Year	KW Fuel Capacity	KWH Generated	KWH Generated	KWH Generated	KWH Generated
Installed 2000	1	1949	out of service 4/07	0	0	0	8,000
	1A	2000	Oil	23,652	25,365	12,901	189,405
	2	1949	out of service 4/07	0	0	0	4,000
	3A	1996	Oil	24,000	22,000	21,000	186,000
Installed 2000	3B	1996	Oil	23,000	22,000	21,000	185,000
	4A	2000	Oil	23,511	26,116	13,035	189,708
Installed 2000	4B	2000	Oil	23,643	25,436	12,966	142,077
	5	1957	Dual	28,000	22,000	18,000	97,000
	6	1964	Dual	30,000	30,000	19,000	148,000
	7	1973	Dual	68,000	62,000	47,000	591,000
TOTAL CAPACITY & KWH GENERATED				243,806	234,917	164,902	1,740,190
PURCHASED KILOWATT HOURS				66,126,335	60,227,746	63,416,663	61,219,999
TOTAL KWH				66,370,141	60,462,663	63,581,565	62,960,189
				Hours Operated	Operating Capacity	Hours Operated	Operating Capacity
Unit No.	Type Fuel						
1	Oil	out of service 4/07		0	0%	0	0%
1A	Oil			14.5	88%	8.25	84%
2	Oil	out of service 4/07		0	0%	0	0%
3A	Oil			15	86%	12.75	89%
3B	Oil			14.5	85%	12.75	89%
4A	Oil			14.5	87%	8.25	85%
4B	Oil			14.5	88%	8.25	84%
5	Oil & Gas			16.25	69%	8	90%
6	Oil & Gas			12.25	77%	8	74%
7	Oil & Gas			12.5	87%	9	84%
TOTAL PLANT FUEL CONSUMPTION FOR ENERGY GENERATION ONLY				Fuel Consumed		Fuel Consumed	
				18,854 gal		17,028 gal	
				11,995 gal		124,080 gal	
TOTAL & UNIT COST FOR ENERGY GENERATION ONLY				Total Fuel Cost	Unit Cost	Total Fuel Cost	Unit Cost
				40,074	2.125	36,749	2.158
				0	0	0	0
TOTAL UNIT OPERATING COST (omit interest, depreciation & taxes)				Total Cost	Cents/KWH	Total Cost	Cents/KWH
Total Fuel Cost for Energy Generated				40,189	16.48	36,876	15.70
Purchased Power Cost				5,123,414	7.75	4,323,536	7.18
Generation & Purchased Cost to Feeders				5,523,392	8.38	4,726,111	7.88
Generation & Purchased Cost to Consumers				5,523,392	8.80	4,726,111	8.34
Distribution Cost to Consumers				405,198	0.65	403,005	0.71
Accounting & Collection Expenses to Consumers				127,890	0.20	111,143	0.20
Office Admin. & General Expenses to Consumers				1,118,476	1.78	1,092,465	1.93
Total Delivered Cost to Consumers				7,174,956	11.43	6,332,724	11.17
MAXIMUM DEMAND ON PLANT (MOMENTARY)				13,930 KW		12,720 KW	
Maximum Momentary Demand				07/14/10 6:00 PM		06/23/09 3:35 PM	
Month, Day & Hour of Occurrence						12,410 KW	
						29/08 4:15 PM	
						13,398 KW	
						08/28/07 4:00PM	

INDEPENDENCE LIGHT & POWER

Independence, Iowa

(unaudited)

Electric Rate Schedule

Effective January 1, 2009

Residential: Service Charge	\$12.00
All kWh	\$0.1424
Commercial: Service Charge	\$17.00
All kWh	0.1196
Industrial: Service Charge	\$120.00
Demand Charge	\$10.00 per KW
All kWh	\$0.0590

An energy cost adjustment is made monthly to the above rates based on the utility's kWh sales and power costs.

Security Lighting Monthly Rental Fees

Effective January 1, 2009

100 Watt High Pressure Sodium	10.00
250 Watt High Pressure Sodium	15.00
400 Watt High Pressure Sodium	18.50
400 Watt Metal Halide	15.00
Metal Arch	10.00

INDEPENDENCE LIGHT AND POWER
Independence, Iowa
MONTHLY & YEARLY PEAK LOAD IN KILOWATTS
For the Year Ended December 31, 2010
(unaudited)

Date	KW	Time	Day
January 4	9,724	6:00 PM	Monday
February 2	9,428	7:00 PM	Tuesday
March 2	8,732	9:00 AM	Tuesday
April 7	8,402	10:00 AM	Wednesday
May 24	12,177	4:00 PM	Monday
June 22	12,584	6:00 PM	Tuesday
July 14	13,930	6:00 PM	Wednesday
August 12	13,812	6:00 PM	Thursday
September 2	11,074	2:00 PM	Thursday
October 28	8,678	7:00 AM	Thursday
November 30	9,612	6:00 PM	Tuesday
December 13	10,321	6:00 PM	Monday

2010 Peak for the Year

July 14	13,930	6:00 PM
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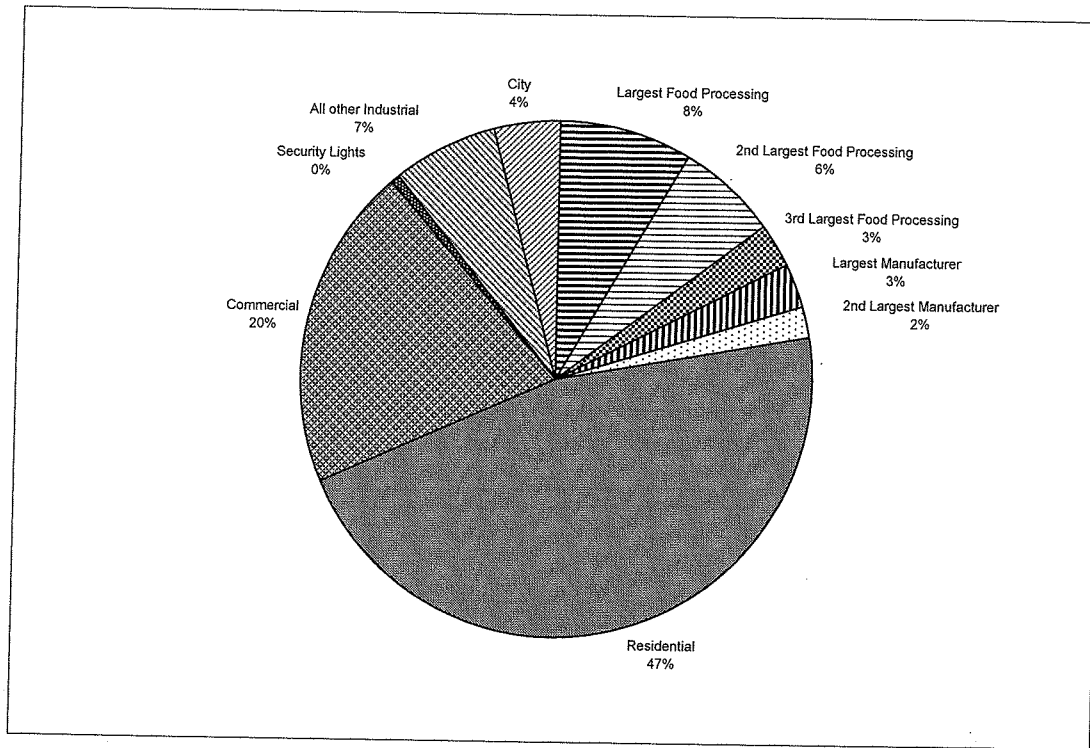
Comparison

2009 Peak	12,720
2008 Peak	12,410
2007 Peak	13,398
2006 Peak	15,030
2005 Peak	16,580
2004 Peak	15,500
2003 Peak	17,000
2002 Peak	15,500
2001 Peak	16,310
2000 Peak	16,030
1999 Peak	16,310
1998 Peak	13,836
1997 Peak	13,950
1996 Peak	14,000
1995 Peak	15,800
1994 Peak	12,500
1993 Peak	12,600
1992 Peak	10,500

INDEPENDENCE LIGHT & POWER
Independence, Iowa
TEN LARGEST INDUSTRIAL CUSTOMERS
December 31, 2010
(unaudited)

Ranking:	Customer	KWh Metered	Revenue	% of Total Revenue
		At Industrial Rate		
1	Food Processing	7,703,720	\$621,218	8.3%
2	Food Processing	5,831,880	\$482,973	6.4%
3	Food Processing	2,444,800	\$212,771	2.8%
4	Manufacturing	2,222,320	\$200,888	2.7%
5	Manufacturing	1,838,800	\$154,325	2.1%
6	Health Care	1,715,640	\$140,120	1.9%
7	Government	1,457,200	\$120,936	1.6%
8	Education	1,065,080	\$111,723	1.5%
9	Retail	648,560	\$58,071	0.8%
10	Retail	386,100	\$34,693	0.5%
Total of Ten Largest		25,314,100	\$2,137,718	28.5%

INDEPENDENCE LIGHT & POWER
Independence, Iowa
2010 REVENUE BREAKDOWN
Shows 5 Largest Customers Individually
(unaudited)



	Customer	KWh	Revenue	% of Total Revenue
1	Largest Food Processing	7,703,720	\$621,218	8.28%
2	2nd Largest Food Processing	5,831,880	\$482,973	6.44%
3	3rd Largest Food Processing	2,444,800	\$212,771	2.84%
4	Largest Manufacturer	2,222,320	\$200,888	2.68%
5	2nd Largest Manufacturer	1,838,800	\$154,325	2.06%
All Others	Residential	21,622,497	\$3,456,833	46.07%
	Commercial	12,194,628	\$1,530,042	20.39%
	Security Lights	172,147	\$28,607	0.38%
	All other Industrial	5,533,960	\$504,791	6.73%
	City	3,004,442	\$311,043	4.15%
	Total Sales	62,569,194	\$7,503,491	100.00%

Basic Financial Statements

Independence Light and Power, Telecommunications

Statement of Net Assets

December 31, 2010 and 2009

LIABILITIES AND NET ASSETS:	2010	2009
Current Liabilities:		
Accounts Payable	\$ 670,145	610,628
Accrued wages payable	39,745	33,144
Accrued vacation and sick pay	823,796	837,142
Other accrued expenses	30,719	19,996
Current portion of long term debt	352,116	336,650
Total Current Liabilities	1,916,521	1,837,560
Other Liabilities:		
Accrued retirement insurance	526,232	503,341
Note payable - BankIowa	90,210	185,390
Note payable - USDA revolving loan fund	300,000	-
Electric revenue project note payable	4,136,993	4,475,507
Less: Current portion of long-term debt shown above	(352,116)	(336,650)
Total Other Liabilities	4,701,319	4,827,588
Net Assets:		
Unrestricted, board designated funds	6,429,253	6,160,083
Unrestricted	5,533,422	5,586,543
Total Net Assets	\$ 11,962,675	11,746,626

See notes to financial statements

Independence Light and Power, Telecommunications
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenues:		
Sales to customers	\$ 10,294,551	9,371,690
Miscellaneous operating revenue	96,935	78,302
Total Operating Revenue	<u>10,391,486</u>	<u>9,449,992</u>
Operating expenses:		
Generation expenses	5,532,523	4,732,612
Distribution expenses	398,701	364,636
Customer account expenses	127,890	111,143
Administration and general expenses	1,127,077	1,088,791
Cable and internet expenses	1,643,184	1,600,829
Depreciation and amortization expenses	919,754	903,147
Benefits to community and city	337,751	333,982
Total Operating Expenses	<u>10,086,880</u>	<u>9,135,140</u>
Operating Income	304,606	314,852
Non-Operating Revenues (Expenses):		
Interest income	69,174	109,484
Interest expense	(193,921)	(211,176)
Gain (loss) on disposal of assets	8,825	(2,983)
Other revenue	27,365	21,074
Total Non-Operating Revenues (Expenses)	<u>(88,557)</u>	<u>(83,601)</u>
Changes in Net Assets	216,049	231,251
Net Assets, beginning of year	<u>11,746,626</u>	<u>11,494,525</u>
Prior period adjustment	-	20,850
Net Assets, end of year	<u><u>\$ 11,962,675</u></u>	<u><u>11,746,626</u></u>

See notes to financial statements

Independence Light and Power, Telecommunications

Statement of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Operating income	\$ 304,606	\$ 314,852
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	919,754	903,147
Non-operating revenue	27,365	21,074
Increase from prior period adjustment	-	20,850
(Increase) decrease in:		
Accounts receivable	(71,673)	(10,055)
Unbilled revenues receivable	22,948	137,930
Interest receivable	5,890	9,682
Inventory	44,753	(11,115)
Prepaid expenses	(646)	2,051
Increase (decrease) in:		
Accounts payable	59,517	60,009
Accrued wages payable	7,241	3,681
Accrued vacation and sick pay	(13,986)	103,070
Other accrued expenses	10,723	3,508
Accrued retirement insurance	22,891	(3,060)
Net cash provided by operating activities	<u>1,339,383</u>	<u>1,555,624</u>
Cash flows from capital and related financing activities:		
Additions to capital assets	(513,607)	(439,371)
Disposal of assets	16,649	(946)
Principal paid on long-term debt	(433,694)	(410,319)
Proceeds from long-term debt issuance	300,000	-
Issuance of revolving note receivable	(360,000)	-
Repayment of revolving note receivable	17,143	-
Interest expense	(193,921)	(211,176)
Net cash used by capital and related financing activities	<u>(1,167,430)</u>	<u>(1,061,812)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(3,600,000)	(3,600,000)
Redemption of certificates of deposit	3,600,000	3,400,000
Investment in transmission	(6,029)	(131,257)
Interest income	69,174	109,484
Net cash provided by investing activities	<u>63,145</u>	<u>(221,773)</u>
Net increase in cash and cash equivalents	235,098	272,039
Beginning cash and cash equivalents	<u>2,551,193</u>	<u>2,279,154</u>
Ending cash and cash equivalents	<u>\$ 2,786,291</u>	<u>\$ 2,551,193</u>

See notes to financial statements

Independence Light and Power, Telecommunications

Notes to Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies

The Independence Light and Power, Telecommunications, a municipal utility, is a subdivision of the City of Independence, which is a political subdivision of the State of Iowa. The Utility is considered a component unit of the City under Governmental Accounting Standards Board Statement Number Fourteen. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis and the Utility is governed by a separate Board of Trustees. Independence Light and Power, Telecommunications is a public utility providing electrical, cable, internet, and telephone services to the citizens of the City of Independence, Iowa.

The Utility's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For reporting purposes, Independence Light and Power, Telecommunications has included all funds, organizations, agencies, boards, commissions and authorities. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board have set forth criteria to be considered in determining financial authority. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the Utility to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utility. The financial statements are the Enterprise Fund of Independence Light and Power, Telecommunications which is a component unit of the City of Independence.

Independence Telecommunications Utility is legally separate from the Electric Utility, but is financially accountable to the Electric Utility, or whose relationship with the Electric Utility is such that exclusion would cause the Electric Utility's financial statements to be misleading or incomplete. The Telecommunications Utility is governed by the same five-member Board as the Electric Utility, and appointed by the City Council.

B. Basis of Presentation:

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of Net Assets displays the Utility's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds,

notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Utility's policy to use unrestricted resources first.

C. Measurement Focus and Basis of Accounting:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred. The accounting records are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC).

In reporting its financial activity, the Utility applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Utility's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets:

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents:

The Utility considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2010 and 2009, cash consisted of checking accounts, savings accounts, and certificates of deposit.

Cash and cash equivalents for cash flows statements purposes are as follows:

	<u>2010</u>	<u>2009</u>
Cash	\$ 1,058,428	941,700
Board designated funds	<u>4,527,863</u>	<u>4,409,493</u>
Total Cash	5,586,291	5,351,193
Less: Certificates of deposit – term longer than three months	<u>(2,800,000)</u>	<u>(2,800,000)</u>
Cash and Cash equivalents	<u>\$ 2,786,291</u>	<u>2,551,193</u>

Accounts Receivable and Unbilled Revenue:

Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual customer balances. Unbilled revenue is for the service consumed between periodic scheduled billing dates and is estimated and recognized as revenue in the period in which the service is provided.

Inventories:

The inventories are valued using average cost.

Board Designated Funds:

Board Designated Funds consist primarily of funds designated by the Board of Trustees for the improvement, replacement and expansion of capital assets, future investment in transmission, and future health insurance payments for retired employees. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

Capital Assets:

Property and equipment were recorded in 1954 at their appraised value with all subsequent additions recorded at cost. Normal maintenance and repairs are expenses, and major renewals and betterments are capitalized. If items of property are sold, retired, or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts, and any gain or losses thereon are reflected in the Statements of Revenues and Expenses. Depreciation is computed using the straight-line method.

Investments:

At December 31, 2010 and 2009, investments are stated at the lower of aggregate cost or market.

Revenue:

Billings to customers are based on meter readings at stated rates, and are recorded as revenue in the corresponding meter-reading period.

Income Taxes:

Independence Light and Power, Telecommunications is a subdivision of the State of Iowa and exempt from federal and state income taxes.

(2) Cash and Investments

Independence Light and Power, Telecommunications' deposits in banks at December 31, 2010 and 2009 were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In order to offset rising transmission costs, the Board of Trustees, through and in conjunction with its membership in the Midwest Municipal Transmission Group (MMTG), on June 25, 2009 entered into a Joint Agreement as a participating municipal utility with Iowa Public Power Agency (IPPA) for investment rights in the construction or acquisition and ownership of transmission upgrades and additions to Mid American Energy Company's (MEC) transmission system. IPPA is to issue and sell bonds to finance the cost of each agreement and transmission assets are to be operated by MEC. The initial investment and ownership interest is \$122,148 and 8.891%, respectively. If, upon termination of this Joint Agreement, there remains any property or assets in which the parties own an undivided interest, said property or assets shall be disposed of on a pro-rate basis in accordance with the terms of the agreement.

On February 28, 2007, the Utility through and in conjunction with its membership in MMTG, also agreed to participate in the Brookings-Twin Cities Development Project Agreement with the Central Minnesota Municipal Power Agency (CMMPA) for the purpose of pursuing Development work for a Transmission Project. This Transmission Project (herein after referred to as "the Project") is being undertaken to assist in the maintenance and enhancement of system reliability for electric customers in the upper Midwest region. This agreement addresses the Development phase of the Transmission Project and will be replaced with an agreement providing for ILPT's entitlement and other related rights and arrangements pertaining to the Transmission Project once the development phase is completed. The initial agreement shall be for five years, but can be extended in one year increments until the Development work has been completed. Independence Light and Power, Telecommunications' is an "open participant" in this agreement, meaning that it does not participate in CMMPA's financing of the Development work and their "Participant Election Share" is 1.89%. Participants are responsible for their share of the monthly Development work costs, whether or not the

Transmission Project is actually developed. ILPT's share of the Development work cost is to be \$248,648, of which \$35,042 had been invested as of December 31, 2010.

The carrying value and the approximate market value of the Utility's investment in transmission at December 31, 2010 was \$157,190.

(3) Accounts Receivable

As of December 31, this account consisted of the following:

	<u>2010</u>	<u>2009</u>
Accounts Receivable	\$ 897,990	822,113
Less: Allowance for doubtful accounts	(62,548)	(58,344)
Balance	<u>\$ 835,442</u>	<u>763,769</u>

(4) Unbilled Revenues Receivable

Unbilled revenues receivable consist of electric meter usage that has not been read or billed by the Utility. At December 31, 2010 and 2009, these amounts were \$176,504 and \$199,452, respectively.

(5) Inventories

At December 31, inventories consisted of the following:

	<u>2010</u>	<u>2009</u>
Fuel oil	\$ 84,993	125,178
Lube oil	2,436	2,445
Distribution	183,138	182,241
Generation	108,197	108,197
Cable and internet supplies	<u>68,031</u>	<u>73,487</u>
	<u>\$ 446,795</u>	<u>491,548</u>

(6) Reserved Funds

The reserved funds are amounts the Board has restricted for specific purposes.

Capital Improvement Fund – At the October 20, 1994 meeting, the Board approved the combining of the Improvement Fund and the Future Construction Fund and called it the Capital Improvement Funds. This fund is to be used for new construction projects and improvements. Monthly transfers to this fund are to be \$15,000. At the February 20, 1997 board meeting, the policy was changed to have \$20,000 transferred to this fund each month. At the February 24, 2005 board meeting, the policy was changed to have \$40,000 transferred to this fund each month. At the February 23, 2006 board meeting, the policy changed to have \$20,000 transferred to this fund each month. During 2010, monthly transfers totaled \$240,000 into the fund.

Retirement and Severance Fund – The Board of Trustees has reserved this to pay for future health insurance coverage for retired employees. It also helps fund the accrued vacation and sick leave for current employees. This fund is to equal the combined retirement and severance liabilities. \$7,700 is transferred into this fund each month. During 2010, \$92,400 was transferred into the fund.

Self Insurance Fund – The Board of Trustees has reserved the amounts in this fund to replace the distribution system that might be destroyed by a natural disaster. This reduces the amount of insurance premium that would be incurred if an outside insurer were paid for this coverage. Prior to October 1994, this fund was funded with all interest income received. At the October 20, 1994 board meeting, the policy was changed to have \$2,500 transferred to this fund each month. At the July 25, 1996 board meeting, the policy was changed retroactive to June 1996 to have \$15,000 transferred to this fund each month. In December 1996, the Board of Trustees approved an additional transfer of \$25,000 to the fund. At the February 20, 1997 board meeting, the policy was changed to have \$20,000 transferred to this fund each month. At the February 24, 2005 board meeting, the board approved a transfer of \$181,596 to this fund from the Retirement and Severance Fund, and approved capping this fund at \$1,000,000. At the November 19, 2009 board meeting, the board approved a transfer of \$250,000 to this fund from the checking account.

At the April 19, 2007 Board of Director's meeting, it was approved to create a new restricted fund - Investment in Transmission. The funds will be used for future transmission capital investing.

(7) Capital Assets

	<u>2010</u>	<u>2009</u>
Capital Assets Not Being Depreciated:		
Land	\$ 244,162	244,162
Construction in Progress	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>\$ 244,162</u>	<u>244,162</u>
Capital Assets Being Depreciated:		
Telecommunications Outside Plant	\$ 2,307,919	2,292,442
Buildings and Improvements	104,015	104,015
Generation in Service	8,755,040	8,749,860
Distribution in Service	8,003,584	7,975,949
Office and Office Equipment	984,210	978,684
Small Tools	55,946	55,946
Transportation	851,353	802,891
Cable and Internet Equipment	<u>3,469,143</u>	<u>3,129,365</u>
Total Capital Assets Being Depreciated	24,531,210	24,089,152
Less Accumulated Depreciation	(<u>13,783,742</u>)	(<u>12,927,714</u>)
Net Capital Assets Being Depreciated	<u>10,747,467</u>	<u>11,161,438</u>
Net Capital Assets	<u>\$ 10,991,629</u>	<u>11,405,600</u>

(8) Accrued Vacation and Sick Pay

At December 31, 2010 and 2009, Independence Light and Power, Telecommunications had accrued vacation payable of \$74,776 and \$77,024, respectively. An employee may carry forward only five days of vacation from one vacation year to the next. An employee earns their vacation days on their anniversary date.

All full-time employees accrue sick leave at a rate of 2 days per month up to a maximum of two-hundred-eighty (280) days. Upon retirement, medical disability, or death, an employee will be paid up to fifty percent of 240 days of his or her accumulated sick leave. At December 31, 2010 and 2009, the accumulated sick leave was \$749,021 and \$ 760,118, respectively.

(9) Accrued Retirement Insurance and Other Postemployment Benefits (OPEB)

During 1986, the Board of Trustees voted to recognize the probable liability of retirement health insurance coverage by appropriating funds for this purpose, based on the life expectancy of each retiree. The amount of probable liability was determined using life expectancy tables and a variable health care inflation assumption and those amounts were placed in a long-term investment. The Utility will recognize the liability incurred and accordingly restrict the equivalent amount of cash. The criteria for determining eligibility includes years of service and employee age. The benefit is available to the spouse for up to three months after the death of the retiree. At December 31, 2010 and 2009, Independence Light and Power, Telecommunications had accrued retirement insurance of \$526,232 and \$503,341.

At a July 2004 Board of Trustees meeting, the Utility adopted a resolution stating that future retirees would not be provided retirement health insurance coverage. Current retirees and spouses will continue to be covered under the plan.

At December 31, 2010 and 2009, Independence Light and Power, Telecommunications covered 11 retired employees and 7 retired employee's spouses.

Plan Description - The Utility operates a single-employer benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 62 active members and 18 retired employees and their spouses in the plan. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross/Blue Shield.

Funding Policy - The contribution requirements of plan members are established by the Utility board and may be amended. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility are \$517 for single coverage and \$1,588 for family coverage. The retiree premiums for the Utility are \$188 per retired member. For the year ended December 31, 2010, the Utility contributed \$364,096.

(10) Pension and Retirement Benefits

Independence Light and Power, Telecommunications contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

As of January 1, 2010, plan members were required to contribute 4.30% of their annual covered payroll and the Utility is required to contribute 6.65% of covered payroll. The rates changed effective July 1, 2010 and the required contribution rates were 4.50% for plan members and 6.95% for the Utility.

Contribution requirements are established by state statute. The contributions paid to IPERS by Independence Light and Power, Telecommunications for the years ended December 31, 2010, 2009, and 2008 were \$83,184, \$76,902 and \$72,623, respectively, equal to the required contributions for each year.

(11) Long-Term Debt

On December 29, 2006, the Utility signed a loan agreement with BankIowa. The loan is payable from the revenue from the operation of the Utility. The loan was for \$436,409. Principal and interest payments are payable for 59 months in the amount of \$8,700 beginning on February 1, 2007, with a final installment of all remaining principal and interest due at maturity on December 1, 2011. At December 31, 2010 the balance of the loan was \$90,210.

The Utility issued an Electric Revenue Improvement and Refunding Note dated August 1, 2005. The balance at December 31, 2010 and 2009 was \$4,136,993 and \$4,475,507, respectively. Monthly payments are \$44,370 through August 1, 2020. On August 1 in each of the years 2012 and 2019, the rate will be adjusted to two thirds (67%) of the 7-year fixed advance rate plus 2%. The fixed advance rate is published by the Federal Home Loan Bank, Des Moines, Iowa. Currently, the note bears interest at 4.50% per annum.

The electric revenue note is a revenue note issued under the provisions of Chapter 384 of the Code of Iowa and, as such, the principal and interest are payable from the revenue from operations of the Utility. The details of the Utility's indebtedness are as follows:

Year Ending December, 31	Interest Rate	Principal	Interest	Total
2011	4.50	352,116	180,319	532,435
2012	4.50	368,231	164,204	532,435
2013	4.50	385,246	147,189	532,435
2014	4.50	402,906	129,529	532,435
2015	4.50	421,416	111,019	532,435
2016 - 2020	4.50	2,207,078	247,335	2,454,413
Total		\$ 4,136,993	979,595	5,116,588

The Utility reserves the right to prepay principal on this note in whole or in part at any time prior to and in any order of maturity on terms of par and accrued interest.

The Utility received a \$300,000 loan from the United States Department of Agriculture in order to establish a revolving loan fund. The Utility also was required to contribute \$60,000 of its own funds towards the revolving loan fund. The total of \$360,000 is available for the Utility to make loans to customers for economic development purposes. As the funds are paid back, the Utility is able to loan the funds to other customers. During the year 2010, the entire balance of \$360,000 was loaned to the Buchanan County Health Center (BCHC) for their ambulance addition and remodeling project as a seven year, zero interest loan. As of December 31, 2010 the loan receivable balance was \$342,857.

During the year the board approved an interfund loan from Independence Telecommunication Utility to Independence Light and Power for \$100,000. As of December 31, 2010, the interfund loan was paid back.

(12) Related Party Transactions

Independence Light and Power, Telecommunications provides electrical service to the City of Independence. During the years ended December 31, 2010 and 2009, the charges for this electrical service were \$316,600 and \$320,313. In addition, the City paid \$22,815 for meter reading.

During 2010 and 2009, Independence Light & Power, Telecommunications donated \$156,000 to the City of Independence.

The Utility has agreed to pay the City of Independence \$150,000 per year for a five year period for the purpose of economic development. The annual payments are due January 31st. The first payment was paid January 31, 2006.

(13) Lease Agreements

Independence Light and Power, Telecommunications has a Joint Use Contract with Qwest Corporation. Both parties own poles used by the other party. A lease of \$16.79 per pole is paid to the owner. The net amount, (Joint Use Poles owned by the Independence Light and Power, Telecommunications less the number of Joint Use Poles owned by Qwest Corporation) was 413 poles. During the years ended December 31, 2010 and 2009, Independence Light and Power, Telecommunications received \$8,697 and \$8,697, respectively.

The Utility also has a Joint Use Contract with Mediacom. Both parties own poles used by the other party. A lease of \$16.79 per pole is paid to the owner. The net amount, (Joint Use Poles owned by the Independence Light and Power, Telecommunications less the number of Joint Use Poles owned by Mediacom) was 1,597 poles. During the years ended December 31, 2010 and 2009, Independence Light and Power, Telecommunications received \$29,853 and \$26,814, respectively.

(14) Commitments

On March 2, 2006, the Utility signed a letter of intent to purchase power from Wisconsin Public Power, Inc. (WPPI). The letter of intent states the contract period will be from May 1, 2006 through December 31, 2037 with an average wholesale cost of power projected to be \$58.28/MWh for 2006. An official contract for service was approved and signed at the April 20, 2006 meeting of the board of directors.

(15) Risk Management

Independence Light and Power, Telecommunications is exposed to various risks of loss related to torts, theft, damages, and natural disaster. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the past three years.

(16) Subsequent Event

The Telecommunications board signed a 28E Agreement in January 2011 with the City of Rowley to provide telecommunications service to the City.

Independence Light and Power, Telecommunication, along with six other municipal utilities, signed an agreement with CMMPA and The City of Delano, MN, to acquire Delano Water, Light and Power's share of the CAPX 20/20 Brookings Transmission Line project. The Utility's cost per share will be \$3,044 which will be bonded by CMMPA. The new shares will increase the Utility's share of the project from 1.89% to 2.43% of the municipals' portion of the transmission line project. The board has approved an investment up to \$1,000,000 to participate.

The Utility entered into an agreement with BankIowa on July 21, 2011 to amend the terms of their Electric Revenue Improvement and Refunding Note. The Note's rate was changed from a variable rate to a fixed rate of 2.7% effective August 1, 2011. This reduced the monthly principal and interest payments to \$40,736.91 per month effective with the September 1, 2011 payment.

Required Supplementary Information

Independence Light and Power, Telecommunications

Budgetary Comparison Schedule of Revenues, Expenses, and Changes in Net Assets
Budget to Actual (Cash Basis)

December 31, 2010

	Accrual Basis	Accrual Adjustments	Cash Basis	Budget	Final to Actual Cash Basis Variance
Total Revenues	\$ 10,496,850	613,767	11,110,617	11,193,525	(82,908)
Total Expenditures	(10,280,801)	(769,945)	(11,050,746)	(11,258,655)	207,909
Net	216,049	(156,178)	59,871	(65,130)	125,001
Balance, Beginning of year	11,746,626	(9,638,264)	2,108,362	2,823,260	714,898
Balance, End of year	\$ 11,962,675	(9,794,442)	2,168,233	2,758,130	589,897

See accompanying independent auditor's report.

Independence Light and Power, Telecommunications

Notes to Required Supplementary Information – Budgetary Reporting

December 31, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for their financial statements.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. Disbursements did not exceed amounts budgeted at December 31, 2010.

Other Supplementary Information

Independence Light and Power, Telecommunications

Treasurer's Balance

December 31, 2010

	Checking and Savings Accounts	Time Deposits	Total	Maximum Authorized Deposit
Security State Bank Independence, Iowa	\$ -	476,021	476,021	6,000,000
Cash on Hand			-	
Deposits in transit			-	
Outstanding checks			-	
Balance			<u>476,021</u>	
BankIowa Independence, Iowa	1,543,672	3,600,000	5,143,672	6,000,000
Cash on Hand			800	
Deposits in transit			3,488	
Outstanding checks			<u>(37,690)</u>	
Balance			<u>5,110,270</u>	
Total			<u>\$ 5,586,291</u>	

See accompanying independent auditor's report.

Independence Light and Power, Telecommunication

Schedule of Operating Expenses

Years Ended December 31, 2010 and 2009

	2010	2009
Generation Expenses:		
Purchased power	\$ 5,123,414	4,323,537
Fuel oil expense	40,074	36,757
Natural gas - engines	116	119
Natural gas - boiler	25,106	20,940
Operating expenses	3,840	1,198
Generating vacation and sick leave	45,227	48,292
Supervision	98,091	113,220
Maintenance of generators and equipment	89,630	61,934
Miscellaneous generation expenses	107,025	126,615
	<u>5,532,523</u>	<u>4,732,612</u>
Distribution Expenses:		
Operation and maintenance of overhead	106,387	48,770
Operation and maintenance of underground	29,552	30,703
Operation and maintenance of transformers	352	1,825
Operation and maintenance of street lights	6,858	15,552
Operation and maintenance of security lights	1,697	3,733
Operation and maintenance of meters	13,696	7,507
Operation and maintenance of customer services	22,149	35,168
Operation and maintenance of traffic signals	3,837	5,734
Operation and maintenance of substation	717	546
Distribution supervision	57,013	85,431
General distribution labor	31,680	19,502
Distribution vacation and sick leave	39,312	44,763
Miscellaneous distribution expenses	85,451	65,402
	<u>398,701</u>	<u>364,636</u>
Customer Accounts Expense:		
Customer records and collections	96,607	84,702
Bad debt expense	8,978	4,509
Meter reading	22,305	21,932
	<u>127,890</u>	<u>111,143</u>

Administration and General Expenses:		
Office salaries	155,340	170,616
Office vacation and sick leave	39,856	60,191
Property insurance	88,506	76,372
Outside services	208,519	198,078
Office supplies, telephone, and postage	18,268	16,304
Employer FICA	74,223	70,097
Employer IPERS	64,466	58,961
Maintenance - general	7,334	6,568
Miscellaneous expense	63,279	56,393
Uniforms	4,971	4,485
Safety expenses and equipment	11,292	15,414
Employee benefits	316,870	288,864
Energy efficiency programs	21,752	19,627
Marketing	6,034	3,231
Transportation	46,367	43,590
	<u>1,127,077</u>	<u>1,088,791</u>
Cable and internet expenses	<u>1,643,184</u>	<u>1,600,829</u>
Depreciation and amortization expenses	<u>919,754</u>	<u>903,147</u>
Benefits to Community and City:		
Cash donations to city	156,376	156,000
Labor benefits to city	19,653	14,648
Community benefits	161,722	163,334
	<u>337,751</u>	<u>333,982</u>
Total Operating Expenses	<u>\$ 10,086,880</u>	<u>9,135,140</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Independence Light and Power, Telecommunications
Independence, Iowa 50644

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of Independence Light and Power, Telecommunications, Independence, Iowa, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Utility's basic financial statements listed in the table of contents, and have issued our reports thereon dated September 28, 2011. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Independence Light and Power, Telecommunications' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Independence Light and Power, Telecommunications' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Independence Light and Power, Telecommunications' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Independence Light and Power, Telecommunications' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence Light and Power, Telecommunications' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Independence Light and Power, Telecommunications' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Utility's responses, we did not audit Independence Light and Power, Telecommunications' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of Independence Light and Power, Telecommunications and other parties to whom Independence Light and Power, Telecommunications may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Independence Light and Power, Telecommunications during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C., C.P.A.'S

September 28, 2011

Independence Light and Power, Telecommunications

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Independence Light and Power, Telecommunications

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE: No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Independence Light and Power, Telecommunications is a small municipal utility with an office staff consisting of two billing clerks, one accounts payable clerk, one receptionist and an office manager. The billing clerks, accounts payable clerk and receptionist can receipt in cash and checks. Balancing the two cash drawers to the cash receipts software is rotated on a daily basis, depending on workload. The billing clerks prepare the deposit tickets. All cash customers are given a receipt and all others are asked if they want a receipt. A printed receipt is put in the cash drawer for all cash and checks received listing the dollar amount and becomes part of our permanent records. The office manager and billing clerks investigate any customer complaints regarding receipts. In a municipal utility, there are serious consequences for delinquent invoices, therefore, if a customer has paid their invoice and has not received credit for it they will probably file a complaint. Our software allows searches on a specific dollar amount paid and receipts can be physically looked at as they are filed by date received and batch in which they were entered. A software generated tape of the receipts is attached to the grouping.

The accounts payable clerk enters invoices and prepares checks. Invoices are approved by the general manager or assistant general manager. All checks require two signatures by either the general manager, the assistant general manager, or the office manager. The office manager reconciles the bank statement each month and prepares a report for the Board of Trustees. The Board of Trustees approves all payments. All checking account withdrawals and deposits are tied back to the accounting software.

All payroll timesheets are approved by department supervisors and is prepared by the office manager. The general manager approves timesheets for supervisors and reviews all deposit advises.

Conclusion – Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Independence Light and Power, Telecommunications

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

- II-B-10 Preparation of Financial Statements - Independence Light and Power, Telecommunications does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Response - Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion - Response acknowledged.

Independence Light and Power, Telecommunications

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-10 Official Depositories – A resolution naming official depositories has been approved by the Utility. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2010.
- III-B-10 Certified Budget – Disbursements during the year ended December 31, 2010 did not exceed the amounts budgeted in the business type activities functions.
- III-C-10 Questionable Disbursements – We noted no questionable disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-10 Travel Expense – No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted.
- III-E-10 Business Transactions – There were no business transactions between the Utility and Utility officials or employees.
- III-F-10 Bond Coverage – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- III-G-10 Board of Trustees Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-H-10 Revenue Notes – We noted no instances of noncompliance with the Electric Revenue Note provisions.
- III-I-10 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.
- III-J-10 Telecommunication Services – We noted no instances of noncompliance with Chapter 388.10 of the code of Iowa.

Staff

This audit was performed by:

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